





SUGAR LAND DEVELOPMENT CORPORATION

AGENDA REQUEST

AGENDA OF:	02-04-14	AGENDA REQUEST NO:	II-A
INITIATED BY:	NELDA MCGEE, EXECUTIVE SECRETARY	RESPONSIBLE DEPARTMENT:	CITY SECRETARY
PRESENTED BY:	GLENDA GUNDERMANN, CITY SECRETARY	DIRECTOR:	GLENDA GUNDERMANN, CITY SECRETARY 
		ADDITIONAL DIRECTOR (S):	N/A
SUBJECT / PROCEEDING:	MINUTES SUGAR LAND DEVELOPMENT CORPORATION MEETING JANUARY 07, 2014 APPROVE MINUTES		
EXHIBITS:	MINUTES SUGAR LAND DEVELOPMENT CORPORATION MEETING JANUARY 07, 2014		
CLEARANCES		APPROVAL	
LEGAL:	N/A	DIRECTOR:	REGINA MORALES,  ECONOMIC DEVELOPMENT
PURCHASING:	N/A	EXECUTIVE DIRECTOR:	N/A
BUDGET:	N/A	ASSISTANT CITY MANAGER:	N/A
BUDGET			
EXPENDITURE REQUIRED: \$		N/A	
CURRENT BUDGET: \$		N/A	
ADDITIONAL FUNDING: \$		N/A	
RECOMMENDED ACTION			
Approve minutes of the Sugar Land Development Corporation Meeting January 07, 2014			
EXHIBITS			

STATE OF TEXAS §
COUNTY OF FORT BEND §
CITY OF SUGAR LAND §

**CITY OF SUGAR LAND
SUGAR LAND DEVELOPMENT CORPORATION MEETING
TUESDAY, JANUARY 07, 2014**

REGULAR MEETING

The Sugar Land Development Corporation convened in regular meeting, open to the public, in the Cane Room 161 of Sugar Land City Hall on Tuesday, January 07, 2014, at 4:00 o'clock P.M. and the roll was called of the members to wit:

Amy Mitchell, President
Himesh Gandhi, Vice President
Harish Jajoo, Director
Steve Porter, Director
James A. Thompson, Director
Bridget Yeung, Director
Joe Zimmerman, Director

QUORUM PRESENT

All of said members were present, with the exception of Director Porter and Director Thompson, who were absent, and Director Jajoo, who arrived at 4:04 o'clock P. M.

Also present were:
Allen Bogard, General Manager
Regina Morales, Director of Economic Development
Jennifer Brown, Director of Finance
Jim Callaway, Executive Director of Community Development
Nelda McGee, Executive Secretary and
A Number of Staff and Visitors

CONVENE MEETING

President Mitchell convened the session, open to the public, to order at 4:01 o'clock P.M.

MINUTES

President Mitchell introduced consideration on approval of the minutes of the Sugar Land Development Corporation Meeting held on December 03, 2013.

Following a full and complete discussion, ***Director Gandhi***, seconded by ***Director Zimmerman***, made a motion to approve the minutes of the Sugar Land Development Corporation Meeting held on December 03, 2013. The motion carried unanimously.

BUDGET

President Mitchell introduced consideration on authorizing Sugar Land Development Corporation Fiscal Year 2013 Carryovers in the amount of \$7,200,000 in revenues and \$9,423,172 in expenditures and authorizing Fiscal Year 2014 budget amendment.

Mr. Bryan Guinn, Budget Officer, stated that funds not spent by fiscal year end are carried over to fund projects in progress, but not completed; approval is required to reestablish those funds in the budget.

Sugar Land Development Corporation (SLDC) ended Fiscal Year 2013 with \$2.13 million dollars greater than budget. The variance is the result of a combination of additional sales tax revenue and expenditures that were not completed by fiscal year end.

The four major carryover groups are Incentive Agreements, Operating Expenditures, Performing Arts Center, and Capital Project Funding:

	Budgeted	Actual	Variance
Ending Balance	\$4,308,421	\$6,439,397	\$2,130,976
Incentive Agreements		(\$2,001,751)	
Operating Expenditures		(\$176,609)	
Performing Arts Center		(\$6,980,000)	
Bond Proceeds (PAC)		\$7,200,000	
Capital Project Funding		(\$264,812)	
Available Funds	\$4,308,421	\$4,216,225	\$2,130,976

Of the \$2 million requested for Incentive Agreement carryover, \$1.2 million is obligated for Costco; the remaining funds are to ensure adequate funding for future projects qualifying for SLDC funding.

Director Gandhi asked if the financial management policy directs how much is kept in incentives. *Mr. Guinn* responded there is no policy; funds are budgeted based on anticipated expenditure. *Mr. Regina Morales, Director of Economic Development*, clarified stating it is based on need and what is approved in the budget on an annual basis.

Mr. Guinn stated Operating Expenditures include 7 carryovers associated with the Economic Development Program:

Description	Amount
Central Prison Unit / Business Park Project	\$75,000.00
GIS Upgrades	\$30,000.00
Advertising	\$20,788.00
Labor Study	\$20,000.00
Agreement Management	\$11,603.00
Consulting Services / Assistant Director Search	\$11,450.00
Miscellaneous	\$ 7,768.00
Total	\$176,609.00

BUDGET

The Performing Arts Center represents the largest percentage of carryover at \$6,980,000. This includes \$6.625 million dollars for design; \$115,000 debt issuance cost; and owner's representative costs of \$240,000.00. The bond proceeds for the Performing Arts Center will be carried over, total \$7.2 million dollars.

The carryover for Capital Projects totals \$265,000 and includes \$94,000.00 for the U.S. 59 Widening Phase II project and \$171,000.00 for costs associated with the Performing Arts Center.

The Board is being asked to approve a budget amendment for \$9.423 million dollars in expenditures and \$7.2 million dollars in revenues for Fiscal Year 2014.

Director Zimmerman asked if the U.S. 59 Widening Phase II project was the lane widening for the turnaround near Greatwood. **Mr. Guinn** confirmed affirmatively.

Following a full and complete discussion, **Director Zimmerman**, seconded by **Director Gandhi**, made a motion to approve Sugar Land Development Corporation Fiscal Year 2013 Carryovers in the amount of \$7,200,000 in revenues and \$9,423,172 in expenditures and authorizing Fiscal Year 2014 budget amendment. The motion carried unanimously.

CORPORATE REPORT

President Mitchell introduced review of and discussion on the Sugar Land Development Corporation Annual Report for Fiscal Year 2013.

Ms. Regina Morales, Director of Economic Development, stated the Corporation is required to file an Annual Report with the State Comptroller; the report is a full overview of all Economic Development activities and investments. Highlights of the report include:

- Page 1: Summary Letter from President
 - \$23 million in new capital investment
 - 1,225 new jobs
 - 150 retained jobs
 - 266,000 square feet newly constructed or newly leased space
- Page 2: SLDC History
 - Corporation approved by voters in 1993
 - More than \$61.1 million committed for Economic Development and Capital Improvement projects
- Page 4: Fiscal Year 2013 Targeted Recruitment and Marketing Efforts
 - Texas Governor's Office of Economic Development
 - 2-page advertisement in *Texas Wide Open for Business*
 - Banner ad on website (www.texaseconomicdevelopmentguide.com) with direct link to City of Sugar Land Economic Development Department (www.sugarlandecodev.com)

CORPORATE REPORT (CONTINUED)

- Greater Houston Partnership
 - Print and online advertisement - *Houston Economic Development Guide*
- Site Selection Magazine
 - Print and online advertisement
- Trade and Industry Development Magazine
 - ½ page ad in July/August and November/December publications
- American British Trade and Investment Magazine
 - Print and web banner advertisement
- Bisnow.com
 - 26-week online advertising campaign in Houston, Chicago, Los Angeles, and Boston
- New Economic Development website launched October 2012
 - Increases in visits, page views, unique visitors, pages per visits, and average visit duration
 - Increased visitation driven by increased online advertising
- Economic Development Online Geographic Information System
 - Launch anticipated within 30 days
- Special Events and Partnerships
 - FastFacility.com Listings (national database)
 - Texas One
 - Opportunity Houston
 - Crew
 - Urban Land Institute
 - International Council of Shopping Centers (ICSC)
 - National Association of Industrial and Office Properties (NAIOP)
 - CoreNet Global
 - Fort Bend County Branding and Marketing Program
 - Website
 - Radio Commercials
 - Social Media
- Page 13: Fiscal Year 13 Relocation and Expansion Projects
 - United Healthcare
 - Occupies 193,000 square feet in Sugar Creek on the Lake Office Building
 - PMRG invested more than \$13 million in facility improvements
 - 100% occupancy anticipated by end of 2014
 - Cosentino North America
 - Relocated U.S. headquarters and new support center to Constantino Building (formerly Texas Building) in Sugar Land Town Square
 - CVR Energy
 - Added approximately 11,000 square feet (total 38,000 square feet)
 - Nalco Energy Services
 - Purchased 18.5 acres on north side of existing campus
 - PETRONASH Americas, LLC
 - Expanding production and assembly operations
 - Servomex
 - Expanded 8,000 square feet into 25,000 in Sugar Land Business Park

CORPORATE REPORT (CONTINUED)

- Fluor Corporation (in progress)
 - Closed on 50-acre site in Telfair
- Texas Instrument, Incorporated (in progress)
 - 160,000 square foot facility under construction (completion summer 2014)
- Costco (completed)
 - Opened July 2013
- Team Industrial (completed)
 - Moved into 27,000 square feet in the Granite Towers II Building January 2013
- Accredo Packaging (completed)
 - Added 145,000 square-foot building adjacent to existing facility
- Noble Drilling (completed)
 - Opened new training facility (the NEXT Center) in Sugar Land Business Park
- Pages 15: Tax Abatement Summary
 - 18 active tax abatements (15 awarded)
 - Continue to exceed required minimum value on personal property, real property, and inventory
 - Current Direct Incentive Agreements listed on Page 16
- Page 17: Fiscal Year 2013 Strategic Projects
 - Includes projects with Corporation funding 50% of staff and resources used for implementation
- Page 18-21: Community Impact
 - Employment by Occupation
 - Continued uptick in management positions (from 55% in 2011 to 60% in 2012)
 - Commercial Property Square Footage
 - Continued uptick (over 2.5 million square feet increase from 2003-2013)
 - Occupancy now higher than pre-recession
 - Seeking opportunities to create new office buildings
 - Commercial Property Occupancy Rates
 - Office – 87.4%
 - Retail – 95.4%
 - Industrial – 91.5%
 - Net Assessed Values
 - \$278 million of increase is commercial property

Director Zimmerman noted that the certified CAD values and minimum required values shown in the Active Tax Abatement Agreement Values 2013 chart on page 15 were reversed. **Ms. Morales** confirmed that would be corrected.

Director Yeung asked how new jobs, shown in 2013 Project Impact inset on page 13, are measured. **Ms. Morales** stated that the 1,225 new jobs are from the major projects listed, not all new jobs in Sugar Land. The retained jobs are attached to expansion projects; if the companies had not expanded in Sugar Land, the City would have lost 150 jobs to another community. These are all primary jobs.

CORPORATE REPORT (CONTINUED)

The Board discussed direct incentive compliance. *Ms. Morales* introduced *Donna Svatek, Compliance Manager*, who explained that the City sends out a list of requirements when the company is due the direct incentive, in return the necessary documentation for compliance is provided.

Director Jajoo asked if the carryovers shown in the chart on page 22 under Capital Improvement Projects Summary were from 2012 to 2013. *Ms. Morales* confirmed affirmatively.

Ms. Jennifer Brown, Director of Finance, reviewed the Fiscal Year 2013 Capital Improvement Projects Budget:

Original CIP Budget	\$3,219,000 (3 CIP Projects)
Carryovers	\$1,480,012
Additional Funding	\$ 10,487
Professional Services	-\$ 730,000 (pre-design work for Performing Arts Center)
Closed Projects	-\$ 90,467
TOTAL CIP BUDGET	\$3,889,032

Fiscal Year 2013 new CIP Projects:

- Land Acquisition (Telfair Option Tract) - \$3,055,000
 - Closed December 2012
- Reed Road at Jess Pirtle Wireless Communication - \$74,000.00
- U.S. 59 at State Highway 99 U-Turn Deceleration Extension - \$90,000.00

Fiscal Year 2013 Carryovers:

- Land Acquisition (Telfair Option) - \$66,412.00
 - Remaining funds combined with the \$3 million to complete transaction
- Concert Venue - \$1,190,482
 - Majority of funds obligated to ACE
- U.S. 59 Widening Phase II - \$136,572
 - Funds remaining for final closeout with Texas Department of Transportation (TxDOT)
 - Possibility of clean-up invoice
- Minor League Baseball Stadium - \$30,258.00
 - Closed out at end of 2013
- U.S. 59 Beautification Phase III - \$56,288.00
 - Initial design work

Ms. Brown stated that the Income statement on Page 25 contains unaudited numbers, but reflects year-end accruals consistent with carryovers reviewed by Mr. Guinn in the previous discussion. The statement shows the Corporation ended the year with \$6.06 million in Revenues; this is higher than the prior year, but \$7 million less than budget because the Corporation had budgeted for the bond proceeds, which did not sell until October 1, 2013. Sales tax came in \$183,626.00 higher than budget; interest income was \$2,838 higher than budget; miscellaneous income was \$1,274.00; and the TIRZ assignment was \$425,000.

CORPORATE REPORT (CONTINUED)

Corporation expenditures is 37.98% of budget, the design funds for the Performing Arts Center are included, but have not been spent. Major expenditures were \$3.5 million for capital projects reimbursement, \$3.1 million for the Telfair Option Tract and \$265,000.00 for the Performing Arts Center; and \$673,249.00 for incentive payments, \$545,000.00 to Minute Maid. Ending Fund Balance is \$6,594,682, which is \$2.09 million higher than anticipated.

Director Zimmerman asked if the \$1.1 million debt service was principal and interest on Town Square. **Ms. Brown** responded that the Town Square issue was sold in 2005; the \$425,000 received from the TIRZ is reimbursement. The \$1,096,674 in the budget includes issuance cost from the issue sold in October.

Ms. Morales reported that Sugar Land Development Corporation was one of 18 organizations out of 690 throughout the state that received the Texas Economic Development Council "Certificate for Achievement of Economic Excellence" for highlighting economic development. The award focuses on the operation of the organization, professionalism, training, and business methodology.

Mr. Allen Bogard, General Manager, reported that Ms. Morales had been interviewed by the media and would be on television discussing the Performing Arts Center. Mr. Bogard noted that closeout of minor league baseball project is complete and asked about the participation rent payment. **Ms. Morales** stated the City is well above the \$2.6 million threshold for tickets, suite sales, and naming rights; the current estimate is approximately \$200,000.00 payable to Sugar Land 4B Corporation by April 1, 2014. Those funds are not budgeted, with the exception of \$80,000.00 for parking. The baseball marquee sign project is underway; staff anticipates the policy will be in place and the sign installed by opening day, April 2014.

DIRECTOR REPORT

President Mitchell introduced review of and discussion on the Sugar Land Development Corporation November-December 2013 Economic Development Activities.

Ms. Regina Morales, Director of Economic Development, reviewed Economic Development activities for November through December 2013:

Business Recruitment and Retention

- Constellation Field
 - Attendance for club (baseball) and non-club events exceeded projections by 55%
 - Non-event rentals averaged \$1.3 million (compare to Minute Maid Park at \$2 - \$2.4 million)
- Methodist Sugar Land Hospital
 - Announced expansion of current facilities
- Memorial Herman Health System
 - Two-phased expansion plan
- United Healthcare
 - Move-in first quarter 2014

DIRECTOR REPORT (CONTINUED)

- Cosentino North America
 - Move-in first quarter 2014
- CVR Energy
- Nalco Energy Services
- PETRONASH Americas, LLC
- Servomex

Prospect Activities

- Project Mustang
 - Local business announced expansion of existing campus in Houston Business Journal
 - Contingent on City and County completing incentives discussed and Union Pacific Rail Road rail improvements and public crossing at University Boulevard
- Project Condor
 - Fortune 500 prospect and office user
 - 600-1500 jobs (average salary \$100,000.00)
 - Prospect shopping incentives - information submitted to consultant
 - Will work on real estate if/when interest is expressed (most likely, build-to-suit)
- Project Data
 - Prospect seeking 50,000 – 60,000 square feet (considering Sugar Creek on the Lake)

Compliance Activities

- 1601 Gillingham (Finger's distribution building)
 - Sold to specialty printing company
 - Tax abatement agreement terminated
- ATOS Origin
 - Agreement terminated in November
 - Building for sublease
 - Paid in full plus 6% interest
- Team Industrial
 - Received incentive December 2013

Director Yeung asked about location options for Project Condor, and whether it came back to Sugar Land. **Ms. Morales** stated there are office locations at University Boulevard and U.S. 59 and a 5-acre tract in Lake Pointe Peninsula, adjacent to Hyatt Place. Constantino had looked at a building there, but was unable to obtain financing and moved into the Texas Building. They still own the land and have partnered with Stream Realty to create a concept plan for a 150,000 – 160,000 square-foot office building, which Sugar Land is marketing. They will begin implementation when the building is 50% pre-committed. Economic Development has matched the firm with several prospects; the project will be launched within the next year. Ms. Morales confirmed that Imperial has office sites available.

DIRECTOR REPORT (CONTINUED)

Director Yeung asked if a parking lot will need to be built if Project Data comes to fruition. *Ms. Morales* explained that PMRG is considering building out the surface parking on the adjacent 14 acres to accommodate the remainder of the building. The long-term goal is to build another building with structured parking, but the immediate need is to fully lease the building and to be profitable.

Ms. Morales stated the remainder of the report details marketing and tourism activities for October, November, and December and contains updates on Fiscal Year 2014 Strategic Projects. Requests for Proposals for the retail study and convention center study are expected in January.

ADJOURN

There being no further business to come before the Corporation, *Director Zimmerman*, seconded by *Director Jajoo*, made a motion to adjourn the meeting. The motion carried unanimously and the meeting adjourned, time 4:40 o'clock P.M.

Amy L. Mitchell, President

(SEAL)